

ALABAMA SECURITIES COMMISSION

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Lee County Man Begins Ten-Year Prison Sentence for Securities Fraud

MONTGOMERY, ALABAMA (November 19, 2013) Robert T. Treese, District Attorney for the 37th Judicial Circuit, Lee County, Alabama; and Joseph Borg, Director of the Alabama Securities Commission (ASC) announced that John David Stroud, former Auburn resident and businessman, was sentenced yesterday before Lee County Circuit Court Judge Jacob Walker to serve 10 years in prison.

Stroud pled guilty on August 23, 2013 to Investment Fraud for employing a device, scheme, or artifice to defraud the investing public by making misrepresentations about the use of investor funds. The violation of the Alabama Securities Act is a Class B Felony, punishable by a possible prison term of no less than 2, and no more than 20 years' incarceration, and a maximum \$30,000 fine. In May, 2012 a Lee County Grand Jury, indicted Stroud on seven counts of investment fraud, two counts of securities fraud, two counts of failing to register with the Alabama Securities Commission, and ten counts of theft by deception.

The ASC Enforcement Division investigation, along with information received from the Commodities Futures Trading Commission and the National Futures Association, as well as complaints received from investors, revealed that Stroud received approximately \$5.2 million from victims between 2008 and 2011. Stroud convinced these individuals to invest with him by representing to be a successful commodities trader.

A former financial advisor, Stroud was able to use his credentials to mislead investors into believing he was a trustworthy custodian of their investment funds. Many of the victims borrowed from their retirement savings in order to invest with Stroud. While some investor funds were used to purchase a limited amount of commodities, they were primarily used for unauthorized business and personal expenses, and to pay returns to other investors. Stroud's activities ultimately defrauded investors of approximately \$2.1 million, which Stroud will have to repay under the terms of his plea.

ASC Director Joseph Borg said, "Stroud has received a sentence appropriate to his fraudulent scheme. Financial professionals provide a valuable service to hard-working individuals seeking to safeguard their financial futures. When dishonest individuals, such as Mr. Stroud, abuse their position of trust and betray the public's confidence in the investment advisory industry, we want to make absolutely certain to send a loud and clear message that this conduct will not be tolerated."

The ASC cautions potential investors to thoroughly scrutinize and research any investment opportunity or offer. Contact the ASC with inquiries concerning securities broker-dealers, agents, investment advisers, investment adviser representatives, financial planners, registration status of securities or debt management programs, to report suspected fraud or to obtain consumer information. The ASC provides free investor education and fraud prevention materials in print, on our website and through educational presentations upon request.

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For more information contact Dan Lord, Education and Public Affairs Manager, 334-353-4858.

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